

Key Initiatives Talking Points

Getting Washington Back to Work

Final 2004

2004 Supplemental Budget & Key Tax Reductions

“This budget meets the challenges before us without putting us in a dangerous financial situation in 2005-07 and without jeopardizing services for the most vulnerable in our society. “

Right before the 2004 session began, Washington state’s chief economist, Dr. Chang Mook Sohn, announced that the revenue estimate for the 2003-05 biennium was up \$76.4 million.

Senate Republicans made a decision right then and there to “buy-back” some of the more difficult cuts made in last year’s budget rather than spend money on new programs or services, as suggested by many Democrats.

While keeping an eye towards a possible deficit of \$1 billion or more next biennium, Senate Republicans proposed a \$79 million supplemental budget that shored-up the state’s safety net for those most in need while leaving almost \$400 million in the state’s reserves.

Senate Republican supplemental budget highlights include:

- Full funding for nursing homes (Gov. Locke’s proposed an \$11 cut);
- Preservation of community mental health funding;
- Enhanced domestic violence shelters and services (\$2 million);
- Area Agencies on Aging enhancement of \$3 million to lower the caseworker-patient ratio for in-home long term care;
- Enhanced employment and day services for people with developmental disabilities (\$1 million);
- Classified school employee salary increases (1 percent raise for lowest paid K-12 staff);

- Buy-back of children's medical premiums so that nobody will pay more than 1 percent of their income, while retaining the policy that everyone should pay something;
- Addition of \$10 million to hold rural hospitals harmless and reimburse urban hospitals for uncompensated care;
- Pick-up liability insurance tab for physicians in underserved areas who come out of retirement to volunteer their services;
- Funding restoration for retired senior volunteer programs (RSVP);
- Fully funded homecare workers' contract (just under \$24 million);
- Reduce travel and consulting contracts by 10 percent (\$11.4 million savings);
- Levy equalization.

The Senate's supplemental budget passed with a bipartisan vote of 28-21.

The House Democrats' spending plan was initially over \$225.

This would have "bow-waved" into \$450 million over the next biennium while bringing our state's reserve fund to a dangerously low level.

The compromise spending plan reached between the House and Senate was \$145 million. The added expenditures came from increased higher education enrollments, an increase in the children's Medicaid premiums, Promise Scholarships, and high demand enrollments for higher education.

The compromise budget still kept \$300 million in reserves, had no new taxes and is one of the slowest growing budgets in state history. It passed the House 84-12-2 and passed the Senate 34-15.

However, **Governor Locke added about \$19 million to the total when he vetoed several "savings" included in the budget.** Locke's vetoes include:

Savings Vetoes

- 10 percent reduction in travel, consulting contracts and equipment purchases for state agencies (\$11.4 M);
- Eliminating the Presidential Primary (\$6 M); thus, this money is retained by the Secretary of State's office to help offset the costs of the Montana-style primary system;

- Juvenile rehabilitation beds (\$2.1 M), of which the governor directs half to remain unspent and half to fund JRA services

Lapsed Appropriations Due to Bills Not Passing

- Government Performance Audit – 3ESHB 1053 (\$150 K);
- Regulatory Improvement Center – 2SSB 6217 (\$50 K);
 - Problem Gambling Treatment – 2SHB 2776 (\$500 from Gambling Revolving Account)

● Key Tax Reduction Bills

Providing property tax relief for senior citizens (SB 5034)

This increases the allowable income for seniors and people retired because of disabilities for qualify for tax exemptions and deferrals.

It raises the allowable income for deferrals from \$34,000 to \$40,000. It also raises the income eligibility levels for property tax exemptions as follows:

- \$35,000 and under = Eligible for valuation freeze (current law is \$30,000 and under)
- \$30,001 -- \$35,000 = Exempt from all excess levies (current law is \$24,001 to \$30,000)
- \$25,001 -- \$30,000 = Exempt from excess and regular levies up to greater of \$50,000 or 35 percent of home value (current law is \$18,001 -- \$24,000, and \$40,000 or 35 percent)
- \$25,000 and under = Exempt from excess and regular levies up to greater of \$60,000 or 60 percent of home value (current law is \$18,000, and \$50,000 or 60 percent)

Along with the change in property tax exemptions, the bill also allows seniors to deduct Medicare premiums from disposable income.

Testified For: AWC (*with concerns*)

Testified Against: none

Status: Signed into law

Correcting errors in the streamlined sales and use tax (SB 6515)

This bill corrects several oversights from the previous year's Streamlined Sales and Use Tax Agreement (SSTA), including:

Restoring exemptions for a number of medical items, like prosthetics, food and food ingredients prescribed by naturopaths, insulin, nebulizers, and parts and services for kidney dialysis machines. Restoring exemptions for certain food items and “warm” bakery items.

Testified For: DOR

Testified Against: none

Status: Signed into law

Modifying taxes for boarding homes (SHB 1328)

This bill lowers the B&O tax rate from 1.5 percent to 0.275 percent for licensed boarding homes. It also deducts from the B&O tax calculations amounts received by licensed boarding homes from DSHS for services provided to Medicaid recipients.

Testified For: WA Health Care Assn.; Northwest Assisted Living Facilities Assn.; WA Assn. of Housing Services for the Aging; The Cannon House

Testified Against: none

Status: Signed into law

Modifying the taxation of wholesale sales of new motor vehicles (HB 2453)

This bill exempts new car dealers from paying B&O taxes on the wholesale of new motor vehicles to other new car dealers. This will allow consumers to have their cars delivered by their local dealer.

Testified For: WA Auto Dealers; DOR

Testified Against: none

Status: Signed into law

Modifying the taxation of timber on publicly owned land (ESHB 2693)

This bill allows counties to impose a 4 percent excise tax on timber harvested from public land. The tax rate is phased-in over ten years, starting at 1.2 percent. Also, standing timber located on public land that is purchased by a private person is exempt from property tax and purchasers of timber from the Department of Natural Resources are no longer required to provide proof of payment of property taxes before release of their performance bond.

Testified For: NW Eco System Alliance; Grays Harbor Co.; Assn. of WA
Counties; Pacific County

Testified Against: none

Status: Signed into law